

Avoiding Credit Harm & Collections: An Emergency Webinar for Borrowers Behind on Student Loan Payments

Presented by: Education Debt Consumer Assistance Program.

May 6, 2025



Agenda

- About EDCAP
- Important Updates
- Understanding Federal Student Loan Statuses
- Addressing Loans in Delinquency
- Consequences of Staying in Default
- Getting out of Default
- Three Strategies for Tackling Student Debt
- Relevant Links

About EDCAP

Contact Information

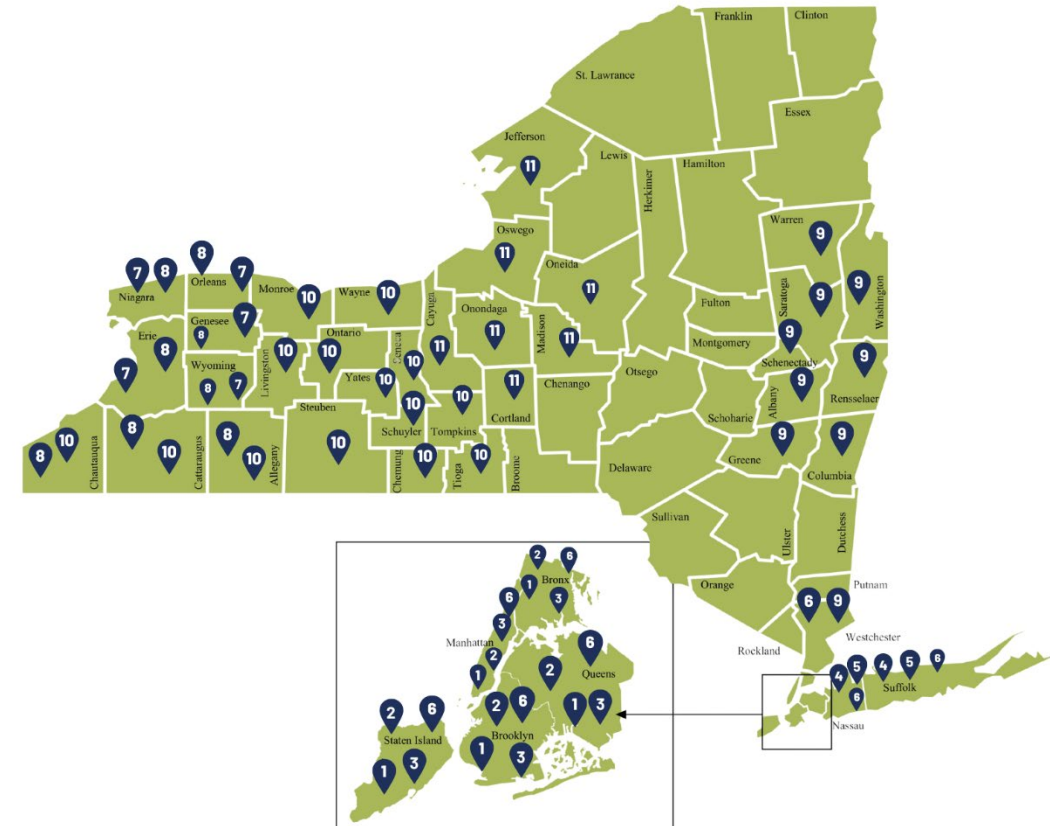
Helpline: 1-888-514-6004 (M-F, 9am-4pm)

Email: edcap@cssny.org

Web: www.edcapny.org (You can now book a virtual appointment online!)

About EDCAP

- EDCAP is a program of the Community Service Society.
- Created to help tackle the student debt crisis in NY.
- Through our **Helpline and Network**, we help you:
 - **Determine** your best student loan repayment option;
 - **Access** loan forgiveness, cancellation, and discharge programs;
 - **Apply** for financial aid (FAFSA), consolidation, deferment, and forbearance;
 - **Resolve** issues with loan servicers and lenders;
 - **Get out of default** to prevent wage garnishments, social security offsets, and tax intercepts;
 - **Understand** financial aid offers and make a plan to go to college with less debt.



Important Updates

Federal Student Loan Collections

- **Collections Restarting:**

- The U.S. Department of Education will resume collections on defaulted federal loans starting May 5, 2025, after a pause that began in March 2020.
- Nearly **10 million borrowers** could be in default soon—about 25% of the total loan portfolio.

- **What This Means for Borrowers:**

- If you're in default, expect to receive notices about Treasury offsets (e.g., tax refund or Social Security garnishment) and, later this summer, potential wage garnishment.
- You'll get email communications urging you to contact the Default Resolution Group (or a guarantee agency for some defaulted FFEL loans) and make arrangements to resolve your default.

SAVE Litigation

- The 8th Circuit Court of Appeals has extended its injunction, halting the implementation of SAVE and other relief measures.
- **What does this mean?**
 - Borrowers currently enrolled in the **SAVE plan** remain in a **non-interest-bearing forbearance**. However, time spent in this forbearance **does not count toward loan forgiveness**.
 - Online and paper applications for **Income-Driven Repayment (IDR) are available**. Borrowers can submit an application to enroll or switch IDR plans. Expect delays.
 - The **IRS income retrieval tool** seems to be working again, this means that if you filed taxes in the last two year and there is data match, you should not be asked to upload proof of income.
 - **IDR forgiveness is on hold**. Borrowers who have reached **20–25 years of qualifying payments** and are enrolled in SAVE, PAYE or ICR are not getting forgiveness. Borrowers in IBR should be able to get forgiveness.
 - **PSLF remains in place**. Borrowers in non-SAVE IDR plans can continue accumulating credit. More on this.

Student Loan Congressional Proposed Bill—Not Law

- **Termination of Subsidized Loans:**

- Subsidized loans for undergraduate students will be terminated starting July 1, 2026.
- Federal Direct PLUS Loans for graduate **students and parents** will also be terminated or restricted.

- **Loan Limits:**

- Annual and aggregate limits for Federal Direct Unsubsidized Stafford loans for undergraduate and graduate students.
- \$50,000 for undergrad/\$150,000 for grad, \$50,000 for Parent Plus. Lifetime maximum aggregate amount for all students set at \$200,000.

Student Loan Congressional Proposed Bill–Not Law (cont'd)

- **Elimination of ICR plans (SAVE, PAYE, ICR) and New IBR**
 - Income-Contingent Repayment (ICR) would be phased out
 - Borrowers on ICR would move to a **new Income-Based Repayment (IBR)** within 9 months of the bill passing.
 - Current repayment plans would end for new borrowers after July 1, 2026.
- **After that, borrowers would choose between two plans:**
 - Standard Repayment – fixed monthly payments
 - New Income-Based Repayment Assistance Plan (RAP):
 - Payments based on Adjusted Gross Income (AGI)
 - Forgiveness after 30 years (360 payments)
 - Payment order: interest → fees → principal
 - No interest accrual if payment doesn't cover interest
 - Principal boost: For distressed borrowers, payments under \$50 toward principal will be matched up to \$50 by the Dept. of Education

Student Loan Congressional Proposed Bill–Not Law (cont'd)

- **Public Service Loan Forgiveness (PSLF) Adjustments**

- Payments under the new Repayment Assistance Plan will count toward PSLF
- Medical/dental internships or residencies won't count toward PSLF for borrowers who take out loans after June 30, 2025

- **Deferment & Forbearance Tightened**

- No Economic Hardship or Unemployment Deferment for loans after July 1, 2025
- Forbearance limited to 9 months within 2 years (except for medical/dental interns)

- **Loan Rehabilitation: More Chances**

- Borrowers can now rehabilitate defaulted loans twice (used to be once)

- **Repeals & Regulatory Rollbacks of borrower-friendly rules:**

- Borrower Defense to Repayment
- Closed School Discharges
 - Reverts to older, stricter standards

Understanding Federal Student Loan Statuses

Determining Your Loan Status

Loan Status	What It Means	Is It in Good Standing?	Subject to Collection Activities?
In Repayment (Current)	You're making monthly payments on time.	✓ Yes	✗ No
Deferment	Temporary pause on payments; interest may or may not accrue, depending on loan type.	✓ Yes	✗ No
Forbearance	Temporary pause or reduction in payments due to hardship; interest accrues.	✓ Yes	✗ No
Grace Period	First 6 months after leaving school; no payments due yet.	✓ Yes	✗ No
In-School	You're enrolled at least half-time in an eligible program.	✓ Yes	✗ No
Delinquent	You've missed 1 or more payments but not yet defaulted.	⚠ Not ideal	✗ No (yet)
Defaulted	No payment made for 270+ days (or 330+ for FFEL); loan transferred to collections.	✗ No	✓ Yes

How To Identify Your Loan Status

- Log in to StudentAid.gov
- On your “Dashboard” or “My Aid” you may see a red banner with a default status notice.



Dashboard

You have 3 loans in default.
Don't get discouraged if you're in default on your federal student loans. You have options for getting out of default. Find out who to contact. [Get Contact Info](#)

Plan Ahead
You must complete the *Free Application for Federal Student Aid* (FAFSA®) form for each year of school in which you need financial aid. There is a deadline for your school, for your state, and for us.

Start a New 2025-26 FAFSA® Form
[Start New Form](#)

Need to start the 2024-25 FAFSA form? [Start a 2024-25 Form](#)

Upcoming Payments
Servicer: Texas Guaranteed Student Loan Corp.
Due Date: N/A

My Loan Servicers [View More >](#)
TEXAS GUARANTEED STUDENT LOAN CORP.
www.trelliscompany.org

My Aid [View Details](#)

Loans Grants

- Under “My Aid” you can also scroll down or click on “Loan Breakdown”
- Click on “View Details” for loans with a balance.
- You will see the repayment status.
- Tip: If the loan is in default, you will see a red banner.



Sort By:

[HIDE LOANS ^](#)

	LOAN DATE	LOAN STATUS	REPAYMENT PLAN	INTEREST RATE	TOTAL BALANCE
Default Subsidized Loan [Redacted]		Default	N/A	0.00%	\$4,428
VIEW LOAN DETAILS >					
Default Unsubsidized Loan [Redacted]	9/24/03	Default	N/A	0.00%	\$325
VIEW LOAN DETAILS >					

Who Services Defaulted Federal Loans?

- **Default Resolution Group (DRG):**

- Defaulted loans are managed by the Department of Education's Default Resolution Group or contractors like ECSI.
- These will include Direct Loans or FFEL and Perkins loans which are held by the Department of Education.
- You can look at <https://myeddebt.ed.gov/> for loans with DRG.

- **Guarantee Agencies:**

- Manage commercially held defaulted FFEL loans.
- Contact information for guarantee agencies can be found [here](#).

Addressing Loans In Delinquency

Your Loan is Delinquent—What Now?

- Being delinquent means your student loan payment is past due — but there are steps you can take to avoid default.
- **How to Address Past-Due Payments:**
 - Call your student loan servicer and request a retroactive forbearance
 - This may resolve missed payments and bring your account current
- **Plan Ahead to Avoid Future Delinquency:**
 - Review and update your repayment plan
 - Explore income-driven repayment (IDR) options for more affordable monthly payments
- **Still Can't Afford Payments?**
 - Ask about deferment or forbearance
 - Deferment is usually more favorable because interest may not accrue on subsidized loans
 - Forbearance may result in more interest accumulation

Consequences of Staying in Federal Student Loan Default

Administrative Wage Garnishment (AWG)

- The federal government can garnish up to 15% of your disposable pay – **without a court order.**
- What is disposable income? Your earnings after legally required deductions.


✓ Included Deductions (Subtracted from income)	✗ Not Excluded (Still count toward disposable income)
Federal, state, and local income taxes	Health insurance premiums
Social Security and Medicare	Union dues
Mandatory retirement contributions (if required by law)	Voluntary retirement contributions
	Wage garnishments or child support (unless court-ordered)

- Garnishment continues until the debt is paid or resolved (rehabilitated/consolidated).
- Your employer will be required by law to withhold wages.
- Can cause long-term financial instability and damage employment relationships.

The Garnishment Process

- Notice of Intent to Garnish
 - Borrower receives written notice at least 30 days before garnishment begins.
- Right to Request a Hearing
 - Borrower can challenge the garnishment based on:
 - Financial hardship
 - Loan not in default
 - Incorrect debt amount

Federal Benefits Offset

- **Treasury Offset Program (TOP)** can withhold federal benefits, including:
 - Social Security retirement/disability
 - Federal employee salaries
 - Military benefits
- **Offset Formula for Social Security Retirement Benefits**
 - The government can garnish the lesser of:
 - 15% of your monthly Social Security benefit, OR
 - The amount by which your monthly benefit exceeds \$750
- **Updated Formula Under the Biden Administration**
 - The Biden administration increased [protections](#) by exempting income up to 150% of the Federal Poverty Level (FPL)→ In 2025, that's \$1,956/month for a single person
 -  **Uncertain Future: It is unclear whether the current or future administrations will maintain the 150% FPL protection.**

Federal Benefits Offset Process

- **Loan Sent to Collections via Debt Management System (DMS)**

- Managed by the Department of Education and shared with the U.S. Treasury.

- **Treasury Offset Initiated**

- Notice is sent
- Government intercepts eligible federal payments, such as:
 - Tax refunds (including joint returns)
 - Social Security retirement/disability benefits
 - Federal employee salaries or military benefits

TIP: Call (800) 304-3107—an automated service of the Department of Treasury to know whether you are on the Treasury Offset Program (TOP) list.

000279 U.S. Department of the Treasury
Bureau of the Fiscal Service
P.O. Box 1686
Birmingham, AL 35201-1686

01/24/24

Funds May Be Withheld From Your Social Security Benefit Payment

[REDACTED]

A debt you owe has been referred to the U.S. Department of the Treasury (Treasury), Bureau of the Fiscal Service, for collection action. The agency you owe is listed below:

MANFREDI LAW GROUP, PLLC

Federal law requires Treasury to withhold up to 15 percent of your monthly Social Security benefit payment because you failed to pay or otherwise resolve this debt.

How Can I Stop This?

Treasury will withhold up to 15 percent of your monthly Social Security benefit payment beginning no sooner than 02/2024, so you still have time to act. To prevent this collection action, you must contact the agency listed below and meet its requirements:

MANFREDI LAW GROUP, PLLC
302 E 19TH STREET SUITE 2A
NEW YORK, NY 10003

347-614-7006

Acct Num: [REDACTED]

What Else Do I Need To Know?

- Only the agency listed under the "How Can I Stop This?" section can assist you in resolving this debt.
- Treasury may withhold funds from your Social Security benefit payment to collect more than one debt. If you owe more than one debt, Treasury will apply the amount withheld from your payment to each debt in the priority established by federal law.
- Funds will be withheld until the debt is resolved.
- Funds may be withheld from your other federal payments without additional notice.
- Treasury will not withhold funds from your Social Security benefits so that you receive less than \$750.00 each month.

This collection action is administered through the Treasury Offset Program (TOP). If you have questions about this program, please call 1-800-304-3107 or visit our website at www.fiscal.treasury.gov/TOP.

FOR OFFICIAL USE ONLY: SW0621

[REDACTED]

[QR CODE]

Tax Refund Intercepts

- The government can seize federal and state income tax refunds, including:
 - Earned Income Tax Credit (EITC)
 - Child Tax Credit
- Note: If a tax refund is intercepted for a federal student loan in default, and **one spouse does not owe the debt**, the non-liable spouse can request their share of the refund back by filing an Injured Spouse Allocation with the IRS (Form 8379).
- **No prior notice required before intercepting future refunds if borrower is already in default.**

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U.S. Department of the Treasury
Bureau of the Fiscal Service
P.O. Box 1686
Birmingham, AL 35201-1686

PLEASE RETAIN FOR YOUR RECORDS

03/23/18

What Happened to My Payment?

The U.S. Department of the Treasury, Bureau of the Fiscal Service (Fiscal Service), applied all or part of your payment to delinquent debt that you owe. This action is authorized by federal law. Below is your payment information:

Payment From: Internal Revenue Service
Payee Name: [REDACTED]
Original Payment: \$929.00

Payment Date: 03/23/18
Payment Type: CHECK

Who Do I Owe?

We applied your payment to debt that you owe to the following agency:

U.S. Department of Education
FEDERAL OFFSET UNIT
P.O. BOX 5227
GREENVILLE TX 75403
600-621-3115

TOP Trace Number: [REDACTED]
Account#: [REDACTED]
Applied to This Debt: \$929.00
Type of Debt: Non-Tax Federal Debt

Please see additional pages for other debts, if any.

What Should I Do Now?

If you agree that you owe the debt, you do not need to do anything. Your debt balance has been reduced. If you believe that your payment was applied in error, you would like to resolve your debt, or you have questions about your debt or outstanding balance, contact the agency listed under **Who Do I Owe**. Please have this notice available when you contact the agency.

Only an agency listed under **Who Do I Owe** has information about your debt. Before sending a debt to Fiscal Service, an agency must send notice to you at the address in its records. The notice explains the amount and type of debt you owe, the rights available to you, and the agency's intention to collect the debt by applying eligible federal payments made to you.

For questions about your debt, please call the agency listed under **Who Do I Owe**. If you have questions about the Treasury Offset Program, please visit our website at www.fiscal.treasury.gov/TOP or call 1-800-304-3107.

Additional Consequences

- Ineligibility for:
 - New federal student aid
 - Income-driven repayment plans
 - Loan forgiveness programs
- Damaged credit history
 - Lower credit scores, higher interest on other loans
- Risk of collection fees and added interest, increasing total debt

How to Contest an Offset or Garnishment

- **Request a Hearing Promptly**

- You have the right to a hearing before or after the offset/garnishment begins.
- For garnishments, you have **30 days from the date of the notice** to request a hearing. After 30 days, garnishments may start but you can still pursue a hearing to stop or reduce it.
- For offsets, no strict deadline but once an offset occurs, it may be hard to recover the funds.
- Submit a written request to the loan holder or collection agency listed in your notice.

- **Common Grounds for Dispute**

- You already repaid the loan or are not the borrower.
- You're experiencing financial hardship (especially for garnishment). You've entered repayment or are on track with an agreement.
- The loan is not legally enforceable (e.g., bankruptcy, borrower defense, discharge).

- **Prepare Supporting Documentation**

- Include tax returns, pay stubs, loan records, or proof of repayment.
- For hardship claims, show expenses and income details.

Getting Out of Default

Two Ways to Get Out Default: Consolidation and Rehabilitation

Feature	Loan Consolidation	Loan Rehabilitation
How it Works	Replace defaulted loans with new Direct Consolidation Loans	Make 9 monthly payments within 10 months
Speed	Can be completed in 30-90 days	On average takes 10-12 months
Impact on Credit	Default & Delinquency still shows on credit history (but loan shows as paid in full)	Default status removed from credit report after completion. Delinquency remains.
Eligibility for Benefits	Restores eligibility immediately after consolidation	Restores eligibility for IDR, deferment, and forgiveness programs
Interest & Fees	Any unpaid interest is capitalized into the new loan	May not capitalize unless you have commercially held FFEL loans.
PSLF/IDR Credit	PSLF and IDR forgiveness clocks restart unless done during one-time IDR adjustment	May retain original qualifying payments toward PSLF or IDR forgiveness
Number of Uses	Only once per loan	Once under current rules
Collection Stops?	Stops immediately after consolidation is complete	Stops wage garnishment and tax offset after 5 qualifying payments

Key Considerations Before Getting Out of Default

- **New Payment Amount/Options:**

- Post-default payments may differ based on chosen repayment plan.
- IDR plans may reduce monthly payments if income is lower than standard payment.

- **Managing Your Loans:**

- Renewing IDR: Keep up with IDR renewals based on income and family size.
- Avoiding Default Again: Stay proactive in managing payments to avoid re-default.

- **Staying in Default:**

- If garnishments or offsets are less than expected payments, staying in default may be better until you're ready for full repayment.
- Tip: Consider temporary default to avoid unaffordable payments but seek guidance before making this decision.

Choosing the Right Repayment Plan



	Traditional Repayment Plans	Income Driven Repayment Plans (No Applications being processed at this time).
Pros	<ul style="list-style-type: none"> • More predictable payments. • Shorter repayment period in some cases, potentially paying off loans faster. • No recertification or income verification. • Best suited for those with high income relative to their debt. 	<ul style="list-style-type: none"> • Affordable payments based on income. • Loan forgiveness after 20-25 yrs of payments. • Required for other forgiveness programs. • Can adjust payments when income changes. • Best suited for those with high debt balances and low-moderate income or for people pursuing certain forgiveness programs.
Cons	<ul style="list-style-type: none"> • Higher monthly payments, potentially challenging for those with limited income. • Limited flexibility in adjusting payments. • No forgiveness. 	<ul style="list-style-type: none"> • Annual renewal & income verification required. • Potential interest accumulation over extended repayment period. • Longer repayment period, extending time to become debt-free.
Plan Names	<ul style="list-style-type: none"> • Standard • Extended • Graduated 	<ul style="list-style-type: none"> • Income-Based Repayment (IBR) • Pay As You Earn (PAYE) • Income-Contingent Repayment (ICR) • Savings for a Valuable Education (SAVE)-On Hold

IDR Plan Options

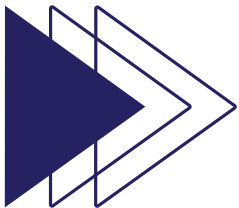
- **IDR plans offer forgiveness after 20-25 years** of qualifying payments, with **no employment requirement**.
- The Biden Administration gave credit towards IDR via the IDR Account Adjustment.
- An IDR tracker briefly appeared in borrowers' FSA accounts but has since been removed. The data is still available—follow these instructions.
 - Login to your FSA account at studentaid.gov.
 - Open a separate tab in the same browser and click the following link:
<https://studentaid.gov/app/api/nslds/payment-counter/summary>
 - Download the HTML file.
- **Current Challenges:**
 - The SAVE litigation is questioning whether borrowers can receive IDR forgiveness under the SAVE, PAYE, and ICR plans.
 - IBR is the only plan explicitly granting this forgiveness, and until recently, forgiveness was being granted.
 - **Status:** IDR forgiveness (IDRF) appears to be paused across all IDR plans. TBD on its resumption under IBR.

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Pretty-print ☒
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Three Strategies for Tackling Student Debt: What's yours?



What's your strategy?



Did you know?

Some repayment strategies do not involve repaying the entire balance?

Strategy	Description
Pay debt in full as quickly as possible	<ul style="list-style-type: none">• This strategy is suitable for borrowers with low loan balances or high income relative to their balance.• They have the option to make lump sum payments or pay more than the required amount, regardless of the repayment plan.
Pay minimum required and pursue forgiveness, if eligible	<ul style="list-style-type: none">• Borrowers with high balances or low to moderate income compared to their debt can opt for this strategy.• They make the minimum required payment until they become eligible for forgiveness.• Making extra payments is not advisable if you expect to get forgiveness.
Pay minimum required until death do you part!	<ul style="list-style-type: none">• If paying off your debt or pursuing forgiveness is not a feasible option, consider paying the minimum required until you die.• This strategy is often chosen by older borrowers who cannot realistically repay their loans or achieve forgiveness.• Federal student loans are dischargeable upon death.

Relevant Links

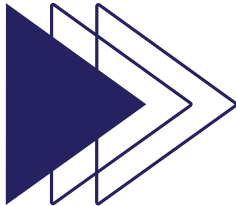
Relevant Links

- **Getting Out of Default**
 - [Loan Rehabilitation](#)
 - Loan Rehabilitation [Income & Expense Form](#)
 - [Consolidation](#)
 - Loan Consolidation Application [\(Online\)](#)
 - Loan Consolidation Application [\(PDF\)](#)
- **Collections: Defaulted Federal Loans**
 - [Offsets](#) (Social Security, Tax Refunds)
 - [Administrative Wage Garnishment](#)
- **Income Driven Repayment (IDR)**
 - [IDR Plans](#)
 - [IDR Forgiveness](#)
 - [IDR Application - PDF](#)
 - [File for IDR online](#)
- **IDR Account Adjustment:** [One Time Account Revision](#)
- **Stay Informed:** [Subscribe to EDCAP's Newsletter](#)

Contact Us

If you live in New York State and need guidance on managing student debt, paying for school, or completing the FAFSA, we're here to help. [Our services](#) are free, confidential, and unbiased!

Our Services

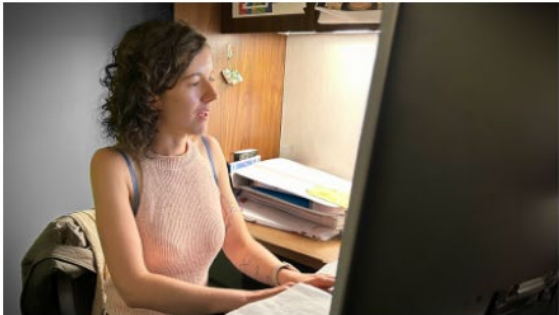


Education Debt Helpline

Call our Education Debt Helpline at [\(888\) 614-5004](tel:8886145004). We have dedicated staff Monday to Friday, 9 am to 4 pm.

[Call us](#)

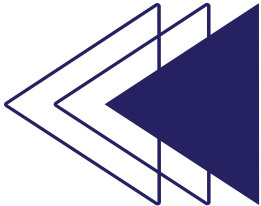
[Email us](#)



Virtual Counseling Session

Meet with a counselor to discuss repayment strategies, debt relief, issues with lenders or loan servicers, consolidation, deferment, forbearance, and more.

[Book appointment](#)



Contact Us

Email us at edcap@cssny.org or complete the form to send us your questions.

[Contact Form](#)

